



FROM COUNSEL

A Preventive Law Service of The Office of The Judge Advocate General
Keeping You Informed On Personal Legal Affairs

Life Insurance - Accelerated Benefits Option

Many life insurance policies, including SGLI/ VGLI are now adding an Accelerated Benefit Option (ABO). ABO can ease your financial burden during a final illness. Check your life insurance policy to determine if you qualify. You may want to discuss ABO with a legal assistance attorney before exercising any option.

Here are some Questions & Answers (Q&A) on ABOs and some specific information on SGLI.

Q. How does ABO work?

A. ABO allows an insured to receive up to 50% of the life insurance policy's death benefits up to a stated maximum if the insured has a terminal condition or enters a qualified institution for permanent care. Benefits may be paid in either a lump sum or in equal monthly installments for a fixed period.

Q. What is a terminal condition?

A. A terminal condition is one that your physician reasonably determines or "certifies" has reduced your life expectancy to 12 months or less (policy may specify a shorter period).

Q. If I apply for ABO, what will it cost me?

A. Your insurance company may impose an interest charge and a monthly deduction charge when it pays you because you are still alive. Some charges may be refunded if death occurs within set time (e.g., 60 days). You need to discuss specifics with your insurance agent.

Q. How much can I receive?

A. Ordinarily, up to one-half of the policy amount. Any amount received under ABO reduces eligible death benefit (and any cash value if policy has one). For example, if you had a life insurance policy of \$100,000 and you asked for ABO. You could receive up to \$50,000 (minus any insurance company charges) before your death. The remaining unpaid portion would be paid to your beneficiary upon your death.

Q. Are there any limits on how I use the ABO?

A. No, however requests for ABO payments will not be approved if the owner or insured is required by law to use policy benefits to meet creditor claims.

Q. Is the ABO payment taxable?

A. Probably not, but you need to discuss specifically with a tax advisor. If your policy has a cash value or is a policy that is really an investment, a portion of the ABO paid to you may be taxable.

FROM COUNSEL is one of a series of informative handouts containing general information on topics that legal assistance attorneys frequently advise on. Information provided is general in nature and does not constitute legal advice. Consult an attorney for specific legal advice for your particular situation. FROM COUNSEL is distributed to persons eligible for legal assistance under 10 USC 1044.

Q. Does it matter that my life insurance policy has irrevocable beneficiaries?

A. No, provided that all irrevocable beneficiaries must consent to the ABO.

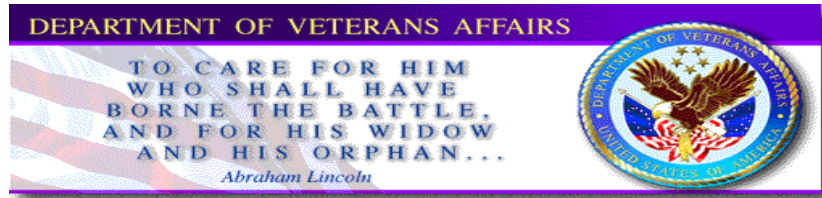
Q. I understand that I may qualify for ABO if I'm permanently confined to a Qualified Institution (QI). What is a QI?

A. A QI is a skilled nursing facility or an intermediate care facility licensed by the state in which it is located that provides nursing care 24 hours a day and has at least one registered nurse on duty for 8 hours daily.

Q. Does ABO work with Servicemen's Group Life Insurance (SGLI)?

A. Yes, the President signed a law on Veterans Day (November 11, 1998), Veterans Programs Enhancement Act. Implementation date was February 9, 1999. Watch The Department of Veterans Affairs' web site for more details:

<http://www.va.gov>.



Q. How much ABO is available under SGLI?

A. Holders of SGLI or Veterans Group Life Insurance (VGLI) diagnosed as terminally ill may receive up to half the face value of their SGLI/VGLI policy as a lump sum - \$5,000 increments up to 50 percent available.

Q. How do I obtain ABO on my SGLI/VGLI policy?

A. To qualify for the accelerated benefit, the policyholder must be diagnosed as having a life expectancy of less than 9 months. The member's subsequent SGLI/VGLI premiums will be reduced to reflect the remaining face value of the policy. The election may not be made more than once, and it will be irrevocable.

Q. Is the ABO amount paid on my SGLI/VGLI policy taxable?

A. No; under the new law, the accelerated death benefit payment "shall not be considered income or resources for purposes of determining eligibility for or the amount of benefits under any Federal or federally-assisted program or for any other purpose."

Q. How do I apply?

A. Send proof of policy coverage & medical diagnosis to

Office of Servicemen's Group Life Insurance (OSGLI)
ATTN: Connie Weedon (Claim Consultant)
213 Washington Street
Newark, NJ 07102-2999
1-800-419-1473

Q. Where else can I get additional information?

A. Your local legal assistance office may advise you on this or other estate planning matters (e.g., a will, power of attorney, anatomical gifts).

FROM COUNSEL is distributed by the U.S. Army Garrison -Miami, Legal Assistance Office, located at 8300 NW 33rd Street, Miami, Florida, Suite 110, Room 33. You may call us for an appointment at 305-437-1307. Check out our Legal Services web site at www.jagcnet.army.mil/Vegal for other helpful information on similar personal legal affairs topics.